

# **Long-Term Ferry Funding Study**

## ***Summary of Preliminary Report***

*presented to the*

**Washington State  
Transportation  
Commission**

*presented by*

**Cambridge Systematics, Inc.**

**November 18, 2008**



# Presentation Overview

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- **Review of study mandate and objectives**
- **Update on current funding situation**
- **Ferry investment scenarios and funding needs**
- **Sources of funding and revenue generation potential**
- **Conclusions and next steps**

# Legislative Provisions and Objectives

- **ESHB 1094, Section 206 – Transportation Commission**
  - Long-term financing alternatives
  - Incorporate findings of customer survey
  - Consider the potential for state, regional, or local financing
- **Develop selection of most viable options and requisite actions for stable, long-term funding package**
- **Assumption is that Commission is seeking funding to sustain something comparable to current service**

# Transportation Funding is in State of Flux

- Oil prices have moderated for now, but forecasts and expectations call for significant future increases
- Recent vessel bid opening higher than anticipated
- Tax receipts declining; other modes also facing difficult near-term funding picture
- Competition with non-transportation needs as well

# Ferry Funding Scenarios

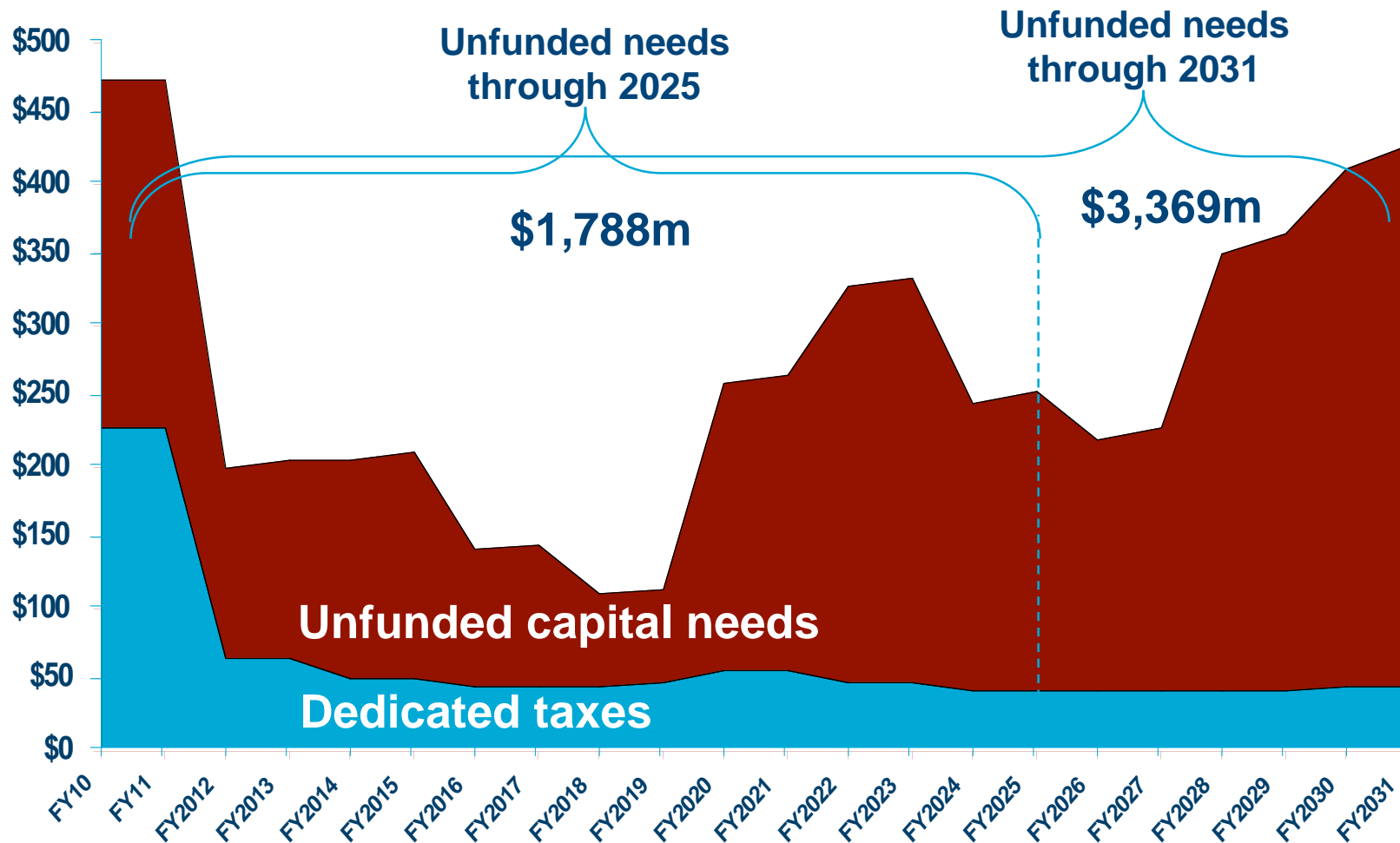
- **WSF Baseline Needs Analysis**
- **WSF 'Preferred' or '2358' scenario**
- **Reduced level of operations and capital investment**
- **WSTC options to above**

# Key Features of Baseline Scenario

- **Operate current services**
- **Maintain, preserve and replace existing capital assets**
  - **Two Island Home class, three 144s**
  - **In-kind vessels replacement per retirement schedule**
  - **Terminal preservation and replacement in-kind**
- **Core capital investment needs of over \$3 billion**
- **Operating revenue driven by 2.5% annual fare increase and ~1.5% annual ridership increase**
- **Greatest operating financial risk is fuel prices**

# Baseline Capital Need Over Time

*Year of Expenditure Dollars, Millions*

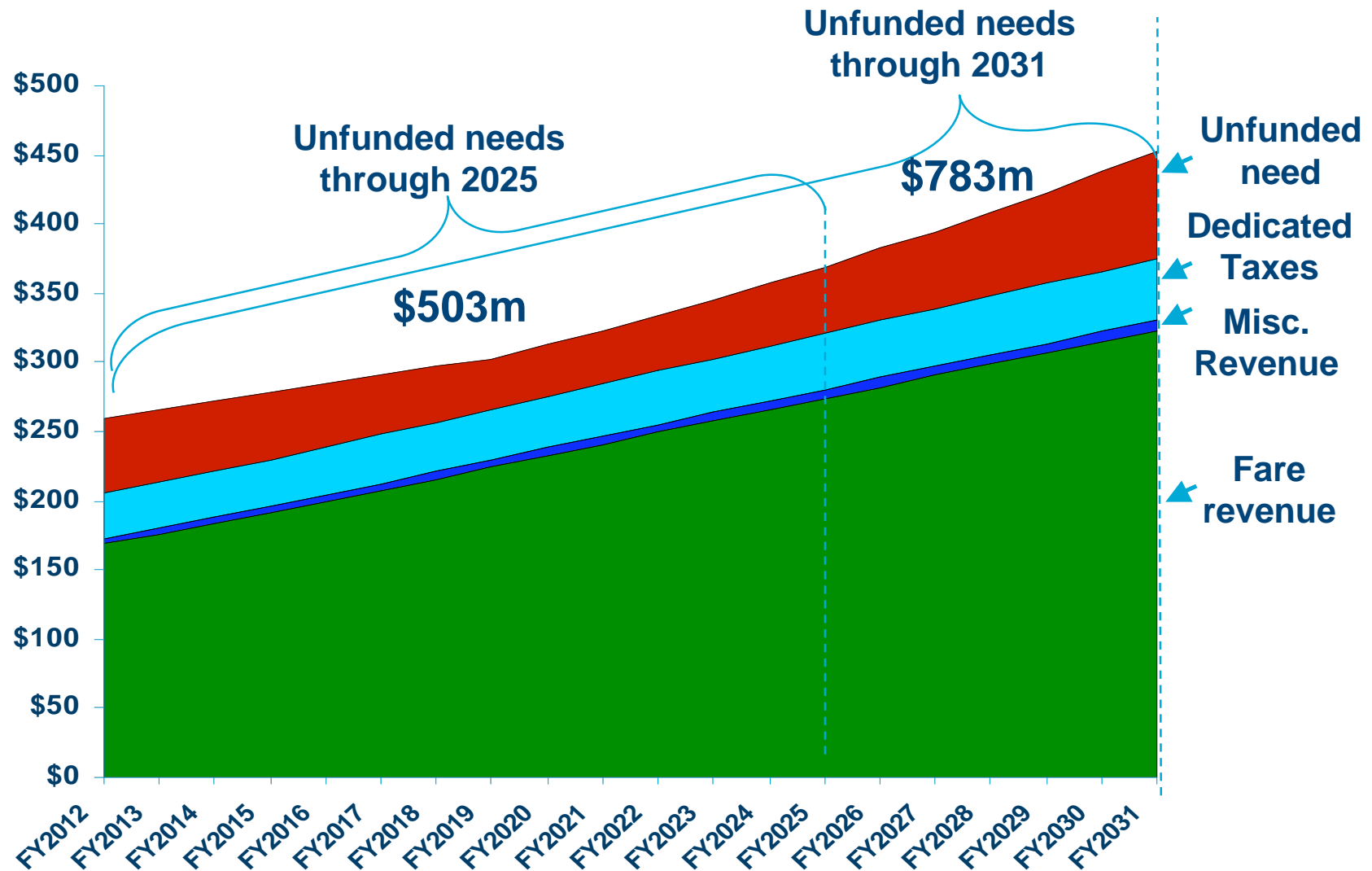


Long Range Planning Horizon (FY2010 - FY2031)



# Baseline Operating Budget

*Year of Expenditure Dollars, Millions*





## Other Scenarios' Funding Needs

- **'2358' scenario likely higher than Baseline**
- **Reduced level scenarios will relate to some level of available funding, e.g., no new state revenue source**
- **Even reduced scenarios will have significant capital preservation and replacement costs if sustainable**

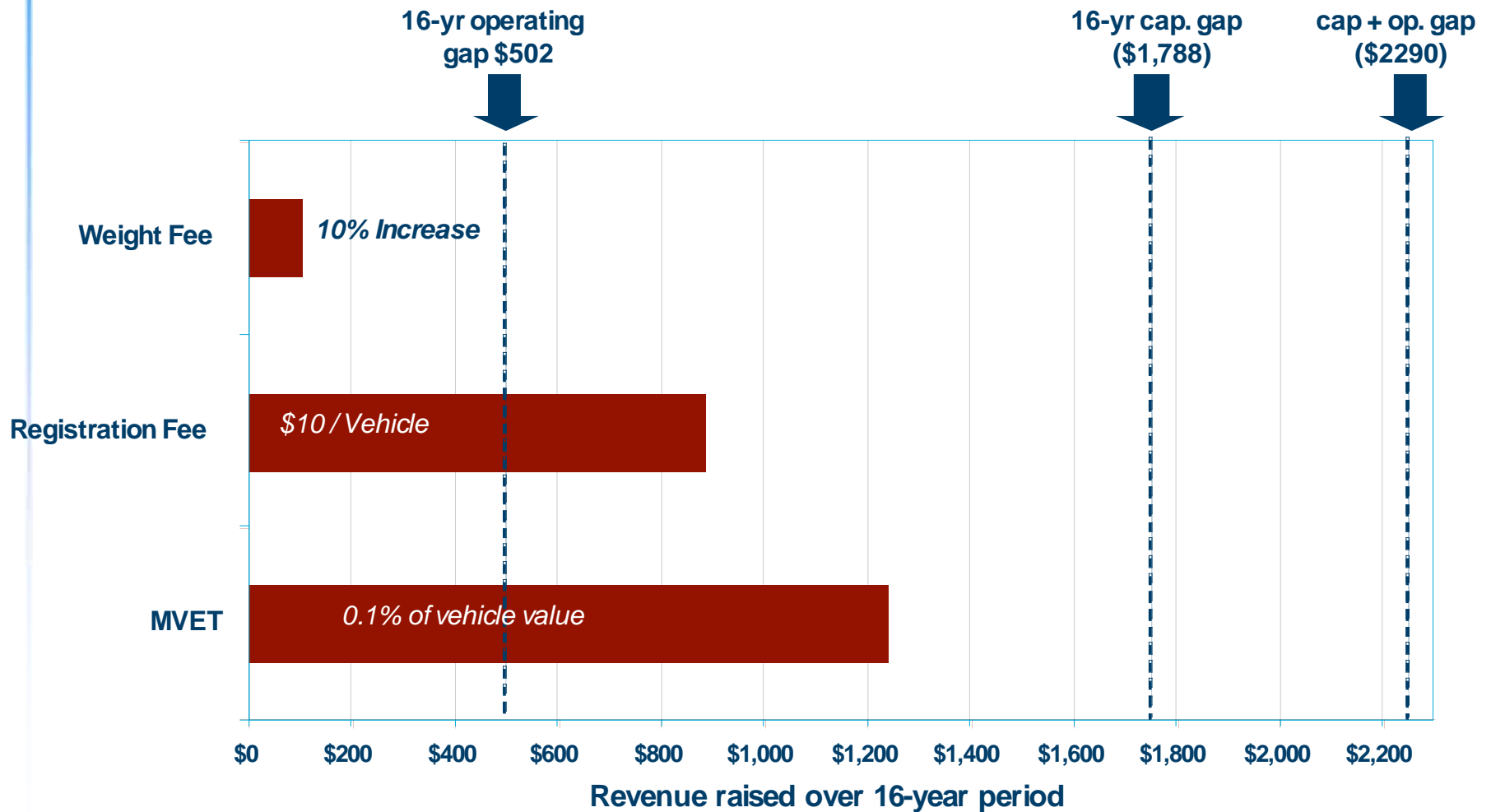
# Comparison of Baseline Needs to Revenue Generation Potential of Statewide Sources

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- **Primary sources under consideration**
  - Vehicle registration fees and weight tax
  - Motor vehicle excise tax
- **Compare to 16-year operating and capital funding gaps**

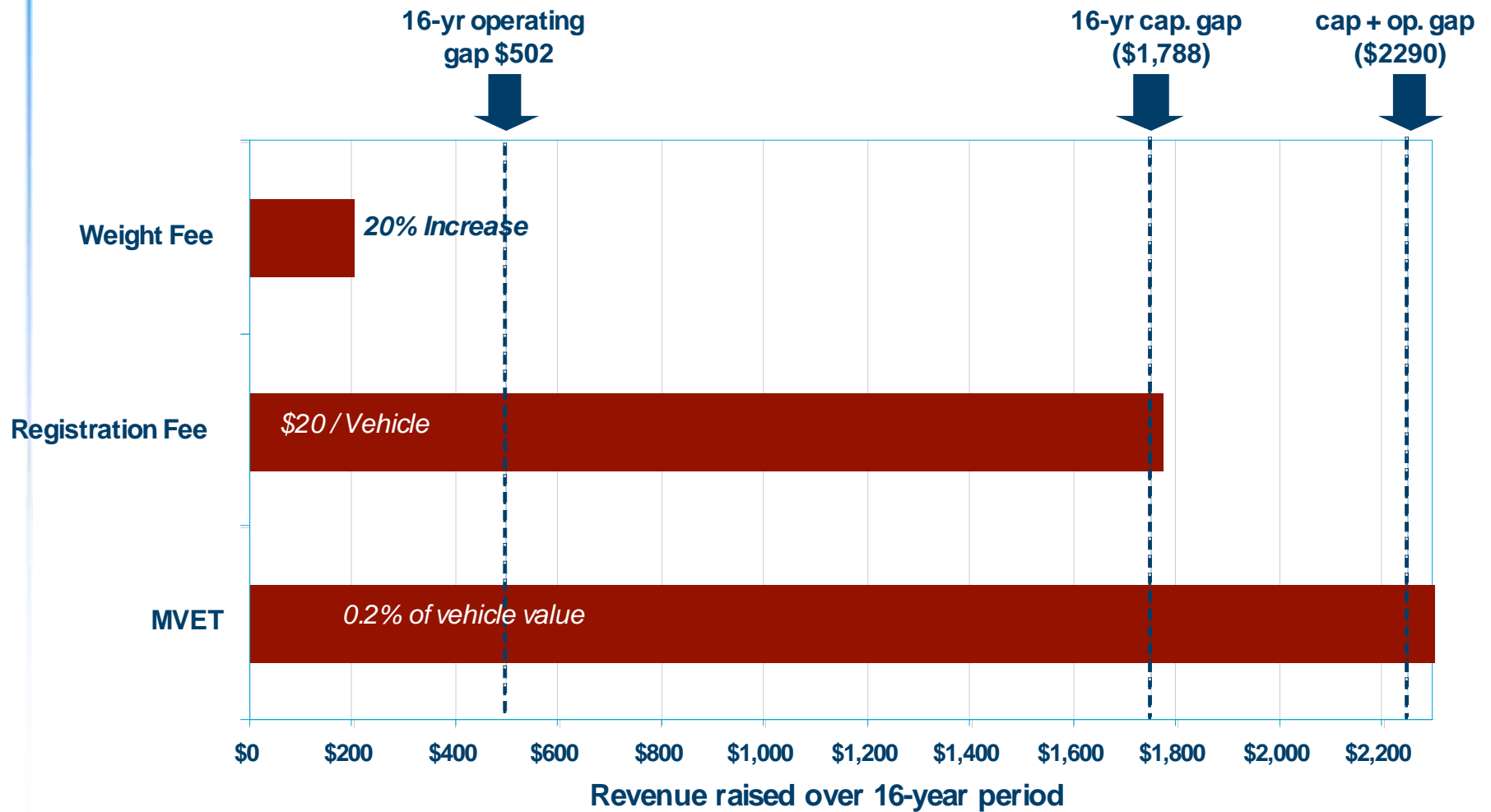
# Revenue from State Sources

Revenue over 16-year planning period, Year of Expenditure Dollars



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Revenue over 16-year planning period, Year of Expenditure Dollars



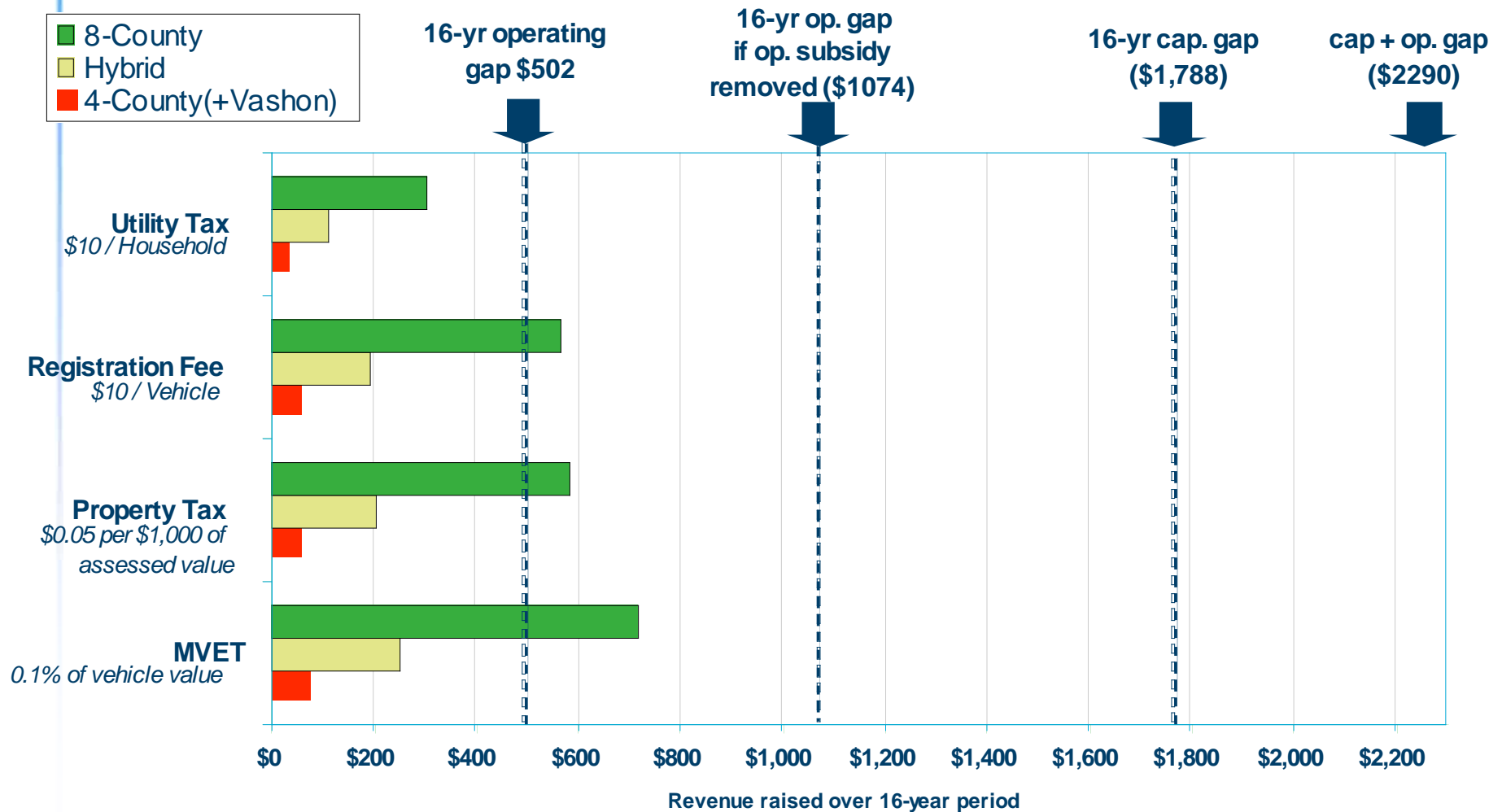
1 Source: Cambridge Systematics estimates.

# Comparison of Baseline Needs to Revenue Generation Potential of Local Sources

- **Primary sources still under consideration**
  - Utility tax
  - Property tax
  - Vehicle registration fee
  - Motor vehicle excise tax
- **Three Ferry Funding Districts considered thus far**
  - Four-county plus Vashon Island
  - “Hybrid” district of four-county plus portions of King and Snohomish
  - Eight-county district

# Revenue from Local Sources

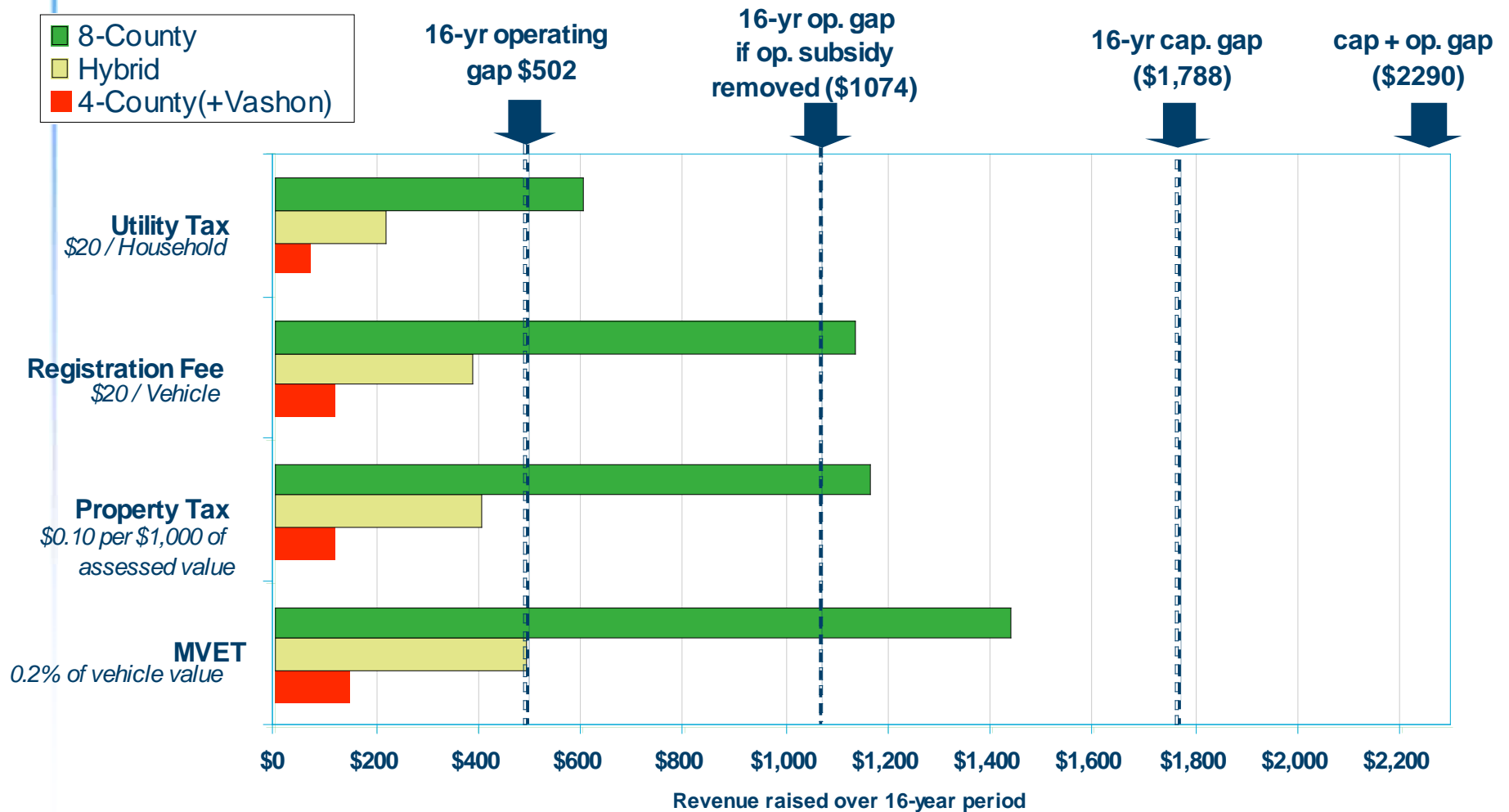
Revenue over 16-year planning period, Year of Expenditure Dollars



Source: Cambridge Systematics estimates. An 8-County district would include all eight ferry served counties. A 4-County district would include only Jefferson, Island, Kitsap, and San Juan Counties plus Vashon Island (part of King County). A "hybrid" district would include the 4-County district plus the portions of King and Snohomish Counties lying west of Interstate Five. District boundaries are for illustrative purposes only.

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Revenue over 16-year planning period, Year of Expenditure Dollars



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# Local Funding Considerations and Steps

- **Set district boundaries**
- **Gain political support**
- **Pass legislation**
  - May not be necessary
- **Devise agreement between localities**
  - Funding responsibility and relative shares
- **Incorporate localities into WSF governance structure**
- **Localities determine how to raise funds**



# Local Funding Examples

## ● San Francisco Peninsula Commuter Rail, “Caltrain”

- State operated 1980-1987, then transferred to local level
- Three-county Joint Powers Agreement
  - Localities fund operating subsidy (share of AM boardings)
  - Localities provide set amount for capital
  - State & federal governments make up the rest

## ● WMATA

- Operating subsidy provided by seven local governments and MDOT
  - Share determined by population, usage, and station location
- Locals also provide capital ‘grants’
- All localities represented on WMATA board

# Operating Income Strategies

- Fares currently make up ~97% of WSF operating income
- Operating income only covers ~72% of operating costs
- Other source of operating income are important to pursue but not likely to close funding gap
  - Advertising and naming rights
  - Vessel and terminal concessions
  - Joint development of terminal areas
  - Public/private partnerships
- Strategy required to help close operating gap through additional fare revenue

# Illustrative Fare Increases Required to Achieve Different Levels of Farebox Recovery

## ● 75% Recovery

- 2.5-5% increases for two years
- 2.5% every year thereafter

## ● 85% Recovery

- 10-15% Increases for two years
- 2.5% every year thereafter

## ● 100% Recovery:

- 15-20% increases for at least two years
- 2.5% increase every year thereafter

# Alternatives to Across-the-Board Fare Increases

- Variable fuel surcharge to recover price increases
- Increase in seasonal fare surcharge
- Three-season “off-peak, shoulder, peak season” surcharge structure
- Peak-period fare surcharge
- Reduction in frequent user discounts
- Oversize vehicle surcharge

# Conclusions and Recommendations

- Other issues rapidly overtaking ferry funding discussion
- Near-term funding needs to be resolved, but important to focus on funding long-term, sustainable service
- Any new source of revenue will take time to implement
- Even financially-constrained scenarios will have unmet capital funding needs requiring new source of revenue
- Recommend that Commission continue to refine details of state and local funding packages
- Work with WSF to define corresponding fare strategies

## Next Steps

- **WSF still actively working to define operating and investment scenarios**
- **Final Commission funding report in early 2009 will incorporate scenario planning framework of WSF Long Range Plan**
- **Commission to finalize funding recommendations tied to preferred scenario and alternatives**